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THE WOOL SITUATION

Summary

The carry-over of domestic wool in the United States at the beginning of the new marketing season on April 1, 1940 is likely to be the smallest in recent years. Because of the small supplies of domestic wool available, interest in the wool market in the next few months will be centered largely on foreign wools. With mill consumption likely to continue at a fairly high level in the first quarter of 1940, imports of apparel wool in the early months of 1940 probably will be larger than at any time since the early months of 1937.

Mill consumption of apparel wool in the United States in November was slightly smaller than in October, but the November consumption was 12 percent larger than a year earlier and, with the exception of November 1935, was the largest November consumption in the last 15 years. Consumption for the entire year 1939 will be close to the 1935 total of 659 million pounds, grease basis. The 1935 consumption was the largest in recent years.

United States imports of apparel wool for consumption totaled 82 million pounds in the first 11 months of 1939 compared with only 26 million pounds in the same months of 1938 and an average of 70 million pounds for those months in the 5 years 1933-37. Receipts of foreign wool at United States ports increased sharply in November and in December.

The 1940 Agricultural Outlook Chart Book for Sheep, Lambs, and Wool is now available to readers of The Wool Situation. Any reader who wants a copy may obtain it upon request to the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

Sales of domestic wool were small in December. Quotations were firm on fine and 1/2 blood wools but prices were somewhat irregular on coarser grades in the latter part of the month. Prices of domestic wools are still about 40 percent higher than before the sharp rise in September. Wool prices advanced at South African sales in December.

Orders are now being placed in Australia for fine and 1/2 blood wools to be imported to the United States. Details concerning arrangements for the release of Australian wool to United States buyers were reported by Australian Government Trade Commissioner L. R. MacGregor in mid-December. (The complete statement by Commissioner MacGregor is given on pages 7-9.)

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

Domestic wool prices mostly steady in December

Sales were small in the Boston wool market in December. Prices were firm on fine and 1/2 blood domestic wools but were somewhat irregular on coarser grades in the latter part of the month. Quotations on merino wools for import from South Africa and South America were lower than prices of fine and 1/2 blood domestic wools on the Boston market, according to the Agricultural Marketing Service.

Prices of fine grades of domestic territory wool at the end of December were slightly higher than a month earlier. Good French combing length fine territory wools in original bag sold at $1.00 - $1.02 a pound, scoured basis, the last week of December compared with $.97 - $1.00 a month earlier. Prices of territory 3/8 blood and 1/4 blood wools, on the other hand, declined during December. Territory 3/8 blood combing wool averaged 84 cents a pound, scoured basis, in the last week of December compared with 86.5 cents a pound at the end of November. Prices of graded territory wools at Boston are about 40 percent higher than before the sharp rise in September.

Quotations on graded fleece wools were largely nominal and unchanged in December. Mixed grade lots of country packed 3/8 and 1/4 blood bright fleece wools were quoted at 43-45 cents a pound, grease basis, in the last week of December compared with 44-46 cents a pound a month earlier. The United States average price of wool received by farmers was 27.5 cents a pound on December 15. It was 27.6 cents a pound on November 15 and 20.3 cents on December 15, 1938.

Imports increase in November

United States imports for consumption of apparel wool totaled 11.9 million pounds in November compared with 9.4 million pounds in October and

4.1 million pounds in November 1938. Imports of apparel wool totaled 82.3 million pounds from January through November 1939 compared with 26.4 million pounds in the same months of 1938 and an average of 70 million pounds for those months in the 5 years 1933-37.

Imports for consumption of carpet wool totaled 135 million pounds from January through November 1939 compared with 58 million pounds in the same months of 1938 and an average of 125 million pounds for those months in the 5 years 1933-37.

Total receipts of foreign wool at United States ports increased sharply in November and December. More than 5 million pounds of wool were received at the Port of Boston alone in the week ended December 23. This was the largest total for any week in the last 2 years. Such receipts include wools entered for storage in bonded warehouses as well as entries for immediate consumption.

Mill consumption continues large in November

The weekly rate of mill consumption of apparel wool in the United States was 6,609,000 pounds, scoured basis, in November. This was slightly lower than the October rate of consumption but was 12 percent higher than that of November 1938. Consumption in October and November 1939 was the largest for any two consecutive months in the last 15 years, with the exception of the October-November consumption in 1935.

Consumption of apparel wool on a grease basis from January through November 1939 was equivalent to 510 million pounds of shorn wool and 73 million pounds of pulled wool. Consumption in the same months of 1938 was equivalent to 349 million pounds of shorn wool and 60 million pounds of pulled wool. The consumption from January through November 1939 was about 40 percent larger than in those months last year and about 27 percent larger than the 11-month average for the 10 years 1928-37.

DOMESTIC OUTLOOK

Carry-over of domestic wool into 1940 season will be small

The carry-over of domestic wool in the United States at the beginning of the new marketing season on April 1, 1940 is likely to be the smallest in recent years. With 4 months remaining until the opening of the 1940 season, stocks of domestic wool on December 1 totaled about 200 million pounds of shorn and pulled wool. Mill consumption of domestic wool in the first 8 months (April-November) of the current season averaged nearly 48 million pounds a month. Consumption of foreign apparel wool by United States mills from April through November averaged about 6-1/2 million pounds a month.

The domestic supply situation at the present time is somewhat similar to that of early 1937. Stocks of wool at the end of 1936 were small, and in the first quarter of 1937 imports and mill consumption were relatively large. On April 1, 1937 United States dealers and manufacturers held about 116 million pounds of domestic shorn and pulled wool. The carry-over of domestic

wool into the 1937 season was the smallest in recent years. Because of the relatively large imports in the first quarter of 1937, however, total stocks of foreign and domestic apparel wool held by dealers and manufacturers on April 1, 1937 were larger than on April 1, 1936.

Large imports will supplement domestic supplies

In view of the relatively small stocks of domestic wool on hand in the United States, imports of apparel wool in the first quarter of 1940 are likely to be larger than at any time since the early months of 1937. General imports of apparel wool in the first 3 months of 1937 totaled 110 million pounds.

United States buyers purchased considerable wool in the South African and South American markets in the last 4 months of 1939 and were reported to be active buyers when the sales were resumed after the holidays. With supplies of domestic wool on January 1 estimated to be smaller than the stocks on that date in any recent year, interest in the wool market in the next few months is likely to be centered largely on foreign wools.

Consumption prospects for 1940 still uncertain

Mill consumption in the first quarter of 1940 probably will continue at a fairly high level. For the entire year 1940 prospects for mill consumption are rather uncertain. Consumption in 1939, however, was almost as large as the near record figure of 1935. In recent years, there has been a decided tendency for a decrease in consumption to follow a year of increasing consumption, such as 1939. If this tendency continues, mill consumption in 1940 will be somewhat smaller than in 1939.

Production, imports, and mill consumption of apparel wool, grease basis, in the United States, annual 1935-38 and April-November 1938 and 1939

Year beginning Apr. 1	Production	General imports 1/	Mill consumption
	Million pounds	Million pounds	Million pounds
1935-36	431	83	2/ 673
1936-37	427	164	582
1937-38	433	60	407
1938-39	436	49	3/ 544
Apr.-Nov. 1938	4/ 436	17	337
Apr.-Nov. 1939	4/ 440	57	434

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption figures from the Bureau of the Census.

1/ Weight as reported, greasy, scoured, and skin wool added together.

2/ Stocks of apparel wool in the United States were large at the beginning of 1935.

3/ Bureau of the Census figure adjusted to 52-week basis.

4/ Production for entire year. Figure for 1939 includes pulled wool estimate equal to 1938 production of pulled wool.

FOREIGN SITUATION

South African sales

Wool prices advanced in South African markets in the latter part of November and in December, according to cabled reports received from the American Legation at Pretoria. Price advances were greatest on short and medium length wools. Average prices of 64-70s combing and super combing length wools for the week ended December 15 were 3 to 6 percent higher than for the week ended November 17. Prices of 64-70s short combing and super short lengths were about 22 percent higher on December 15 than on November 17. Prices for the week ended December 15 were slightly lower than prices reported at the opening of the current season on September 28. The United States, England, France, and other continental European countries were active at the December sales.

The improvement in the South African wool market in December accompanied increased sales to private interests and active bidding on behalf of the British Government in application of the British-South African price schedule, effective December 7. This schedule provides that representatives of the British Government shall bid on offerings at the South African sales to the extent that prices shall not drop below those agreed upon in the price schedule. The actual schedule of prices has not been disclosed.

Receipts of wool at South African selling centers in the first 5 months (July-November) of the 1939-40 season were about 5 percent larger than a year earlier. Sales and shipments from July through November 1939, however, were much smaller than in the same months of 1938. Unsold stocks at selling centers on November 30 totaled about 42 million pounds. Such stocks were more than twice as large as a year earlier and were twice as large as average November 30 stocks in the 5 years 1933-37.

Prices of 64-70 wools in South African markets in the current season, with comparisons 1/

Item	1937	1938		1939				
	High April	Nov. av.	Dec. av.	Open Sept. 28	Week ended Nov. 3	Nov. 17	Dec. 1	Dec. 15
64-70s	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Super combing	68.0	42.5	40.1	51.2	47.5	47.2	47.7	48.8
Combing	65.9	39.8	37.6	49.5	44.2	43.1	44.0	46.0
Short combing	62.9	36.9	35.6	42.9	34.6	33.1	36.6	40.6
Super shorts	56.8	34.0	32.6	38.0	31.0	29.8	33.0	36.3

Compiled from South African Crops and Markets and cabled reports from the American Legation at Pretoria.
Prices converted from South African pence to cents at current rates of exchange.

1/ Quotations are in cents per pound, clean basis.

Uruguay

Following almost complete inactivity in the Uruguay wool market in October and November, sales were resumed on a moderate scale in December. United States buyers purchased between 1,000 and 2,000 bales (1-2 million pounds) at prices 3 to 6 cents a pound lower than prices quoted in September, according to a cable from the American Legation at Montevideo.

Exports from Uruguay in the first 2 months (October - November) of the 1939-40 marketing season totaled about 8 million pounds. The October-November exports were 44 percent smaller than those of a year earlier. Wools exported in October and November 1939 were chiefly of the previous clip. No important shipments of the 1939-40 clip were possible until the last week of November because of delayed shearing.

Argentina

Prices of coarse crossbred wools in the Buenos Aires market advanced in November following large sales of such wool to the French Government, according to commercial reports. Sales of fine wools were small in November, and prices late in the month were reported to be lower than at any time since the outbreak of the European War.

Exports of wool from Argentina in the first 2 months (October-November) of the 1939-40 marketing season were about 25 percent smaller than a year earlier, but exports were larger than the average exports for those months in the 5 years 1933-37.

Wool exports from Argentina, Uruguay, and the Union of South Africa, through November of the 1939-40 season with comparisons 1/

Country	Season		Season through November		
	1937-38	1938-39	1937-38	1938-39	1939-40 2/
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Argentina 3/	293.2	375.4	16.6	53.3	39.0
Uruguay	92.7	128.0	2.6	14.6	8.2
Two countries	385.9	503.4	19.2	67.9	47.2
Union of South Africa	218.4	241.0	57.4	69.1	33.0

1/ Season begins October 1 in Argentina and Uruguay, July 1 in Union of South Africa.
2/ Preliminary.
3/ Scoured and washed wool converted to grease basis.

Australian wool available to United States buyers

Orders are now being placed in Australia for fine and 1/2 blood wools to be imported to the United States. Details concerning arrangements for

the release of Australian wool to United States buyers were set forth in a statement of Australian Government Trade Commissioner in the United States, Mr. L. R. MacGregor, to the National Association of Wool Manufacturers in mid-December. The statement follows:

"1. As has been previously announced, the British Government has purchased the entire Australian clip for the duration of the war and one year thereafter. The policy to be pursued in the sale of the clip has, therefore, been a matter for decision by the British authorities. It is regretted that there has been some delay in completing arrangement. Those familiar with the trade will, however, appreciate that some delay was unavoidable having regard to the magnitude of the transactions involved in the purchase by the British authorities of such a substantial proportion of the world's wool clips, and in the coordinating of arrangements for domestic consumption, and for export and import trade in so many countries. Some delay is inseparable from the changing over from peacetime to war conditions of trades of such magnitude and carried on in so many different parts of the world.

"2. The policy decided upon by the British authorities respecting the distribution of Australian wool will be carried out by the Australian Central Wool Committee, the address of which is 540 Little Collins Street, Melbourne, Australia, the cable address being 'Cenwool, Melbourne.' I have been authorized by the Australian Central Wool Committee to indicate to the American trade the principles which will be followed in the making available of supplies of Australian wool to the United States buyers.

Cargo Room Available

"3. As announced a few days ago, up to 75,000 bales (22,500,000 pounds) will be available (for the United States) over a short period. Shipping is in a position to load 22,000 bales by the end of the present month (December) and with other bottoms available early in the New Year.

"The Central Wool Committee will utilize space as available, freight to be payable at the American end. Insurance will be the responsibility of the American buyer. The Central Wool Committee will make every endeavor to arrange sufficient prompt freight.

"4. The Central Wool Committee is now in a position to quote prices to United States buyers of the commercial types and descriptions of wool of the various Australian buying houses as well known to the Boston representatives of those houses and generally familiar to the trade.

"5. Selling prices will be based on Bradford Standards of condition. I am not sure as yet as to the question of Bradford Standards of quality but it is the intention to sell on all Bradford Standards. The Australian Central Wool Committee states that it estimates the difference in clean cost as between Bradford and American standards broadly at 2 cents on 30 pence and 2-1/2 cents on 36 pence and 3-1/2 cents on 48 pence (about 4 percent at December rate of exchange for British pound).

"6. All sales will be on a non-guaranteed basis, but every care will be exercised by the experienced wool operators who are handling the clip.

"7. Selling prices will be in sterling at a rate per pound. These rates will be subject to two deductions, viz: 2½ percent and also to deduction of 1.73d per pound on greasy weight representing an allowance for ocean freight. I am not sure at the moment about the 2½ percent deduction, but pending further advice, I understand this is probably for commission and to be divided as between the Australian houses and the American agents in a manner to be arranged between them. The prices to be quoted, therefore, will provide a means of readily calculating the c.i.f. basis Boston (excluding war insurance).

"8. American buyers desiring to purchase Australian wool should approach the usual contacts in Boston or in Australia as the case may be. The Australian Central Wool Committee requests that details of the total volume of orders as obtained by each Boston house be given to me, and that the orders be supported by approved undertakings to establish the necessary dollar credits on advice of acceptance of the business by the Australian Central Wool Committee. The dollar credits are to be made available through American agents of the Commonwealth Bank of Australia to be nominated within a few days. The Wool Committee further asks that details of the types included in orders should go from the Boston agents to their regular Australian houses who, in turn, will transmit these details to the Central Wool Committee. The Central Wool Committee will then quote its clean price f.o.b. bona fide for the specified commercial types.

"9. There are over 900 types in the official table of limits. As above indicated, however, the ordinary commercial types familiar to the trade can be used. As a broad indication of the general level of prices which have been fixed for sales to America, I cite the following instances of commercial types, basing the commutation on an approximate equivalent of c.i.f. Boston (excluding war risk insurance), viz:

"64s/70s leaning to 70s, combing super style, 39½d.

"64s/66s, super spinners half warp, 37½d.

"64s warp, fair average spinners of good topmaking, free or nearly free, 35d.

"60s/64s warp and one-half warp, fair average spinners or good topmaking, free or nearly free, 33d.

"64s warp and one-half warp, average topmaking, free or nearly free, 32d.

"Greasy burry, lamb for carbonizing 64s, good style, good make and color, 31d.

Values Approximated

"Commenting upon the above prices, it appears to me that at the present rate of exchange (December) the above mentioned selection of typical instances of types and descriptions discloses a range of values which today is approximately equivalent to from 90 cents per pound to $1.02 per pound, basis c.i.f. Boston duty paid, excluding war risk insurance. This is for combing wools converted to American yields and qualities. It should be observed, of course, that the above mentioned types have been cited only as instances. A more complete range of types is available from the Australian Central Wool Committee.

"10. It will be seen from the foregoing that an endeavor has been made by the authorities to devise a plan which calls for the utilization of existing channels of distribution and which conforms as closely as possible to the normal peacetime method of trading.

"11. I will be glad to hear from any trader or manufacturer who has any views on the general questions involved which he would like to have brought before the proper authorities."

Prices of wool and textile raw materials in the United States, specified periods, 1937-39

Item	Average		High	1938	1939		
	1937	1938	1937	Dec.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Boston market							
Territory, scoured basis							
64s, 70s, 80s(fine)staple ..	101.9	70.4	114.0	71.9	109.5	105.4	105.8
56s (3/8 blood) combing	87.1	58.9	100.5	59.8	94.1	87.9	85.9
46s (Low 1/4 blood)	72.1	52.4	84.0	54.2	87.5	81.7	79.0
Bright fleece, greasy							
64s,70s,80s(fine) delaine ..	40.9	29.0	47.0	29.5	43.0	40.6	41.2
56s(3/8 blood) combing	43.7	29.5	53.0	31.9	48.8	47.0	46.0
46s (Low 1/4 blood)	39.7	28.3	47.0	30.5	49.0	46.6	45.5
Price received by farmers, grease basis, 15th of month	32.0	19.1	33.2	20.2	28.7	27.6	27.5
Textile fibers							
Wool, Terr. fine staple 1/	101.9	70.4	114.0	71.9	109.5	105.4	105.8
Cotton 7/8 Middling 2/	11.22	8.58	14.15	8.45	8.83	9.22	10.39
Silk, Japanese 3/	186.0	170.6	205.1	180.9	327.1	339.4	392.1
Rayon yarn, 150 denier 4/ ..	62.2	52.2	63.0	51.0	53.0	53.0	53.0

Compiled from reports of the Agricultural Marketing Service, except as otherwise specified.
Yearly averages are averages of monthly prices except United States farm price, which is a weighted average.

1/ Scoured basis, Boston market. 2/ Average at 10 markets.
3/ White 13-15 denier, at New York, Bureau of Labor Statistics.
4/ Domestic yarn, first quality, Bureau of Labor Statistics.

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United States: Wool imports, consumption and machinery activity, specified periods, 1937-39

Item	1937	1938	Jan.-Nov.		1938 Nov.	1939	
			1938	1939		Oct.	Nov.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption: actual weight: 1/							
Apparel	150,160	30,811	26,440	82,303	4,140	9,380	11,874
Finer than 40s	126,601	18,443	15,692	59,913	2,714	7,778	9,977
Not finer than 40s	23,559	12,369	10,748	22,390	1,426	1,602	1,897
Carpet, including camels hair	172,091	71,908	58,259	135,035	11,963	10,266	10,602
Consumption, scoured basis: 2/							
Weekly average-							
Apparel	4,772	4,143	3,956	5,640	5,878	6,797	6,609
Carpet	2,023	1,225	1,155	1,995	1,918	2,255	2,310
Aggregate-							
Apparel	248,121	219,565	189,877	270,705	23,512	33,984	26,436
Carpet	105,197	64,945	55,444	95,756	7,716	11,274	9,238
	Weekly average in hours						
Machinery activity: 2/							
Hours operated per machine in place 3/							
Worsted combs	46.1	39.5	37.9	51.8	56.5	64.2	60.7
Worsted spindles	32.9	26.6	25.0	39.4	40.1	50.6	49.6
Woolen spindles	43.1	30.6	29.7	39.6	39.0	45.8	44.9
Woolen and worsted looms-							
Broad	39.0	28.0	26.7	40.1	35.5	41.7	47.8
Narrow	20.4	10.5	10.3	13.0	12.8	18.5	19.7
Carpet and rug looms-							
Broad	28.6	18.8	22.4	37.0	32.4	44.1	43.8
Narrow			15.4	22.9	19.2	26.3	24.4

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured, and skin wool added together.
2/ Figures for November based on 4 weeks, October on 5 weeks, January through November, 48 weeks: 1938 totals based on 53 weeks. No adjustment made for holidays.
3/ "Weekly average hours operated per machine or spindle in place" will take the place of "Percentage of maximum single shift capacity" previously reported. The percentage of single shift capacity (40 hours) may be obtained by dividing the above figures by 40.